

Auditing Procedures Report

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name	Walkerville Area Fire & Rescue Department	County	OCEANA	Type	AUTHORITY	MuniCode	64-7-509
Opinion Date-Use Calendar	Aug 8, 2008	Audit Submitted-Use Calendar	Aug 28, 2008	Fiscal Year End Month	02	Fiscal Year	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/>	<input type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	13. Is the audit opinion unqualified?
		14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	18. Are there reported deficiencies?
	<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="225,858.00"/>
General Fund Expenditure:	<input type="text" value="213,305.00"/>
Major Fund Deficit Amount:	<input type="text" value="0.00"/>

General Fund Balance:	<input type="text" value="226,888.00"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="383,000.00"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)	Jodi	Last Name	DeKuiiper	Ten Digit License Number	1101021180		
CPA Street Address	711 West Main Street	City	Fremont	State MI	Zip Code 49412	Telephone	+1 (231) 924-6890
CPA Firm Name	Hendon & Slate, PC	Unit's Street Address	175 Main Street	Unit's City	Walkerville	Unit's Zip	49459

**WALKERVILLE AREA FIRE AND
RESCUE DEPARTMENT**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 29, 2008

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H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board of Directors
Walkerville Area Fire and Rescue Department
Walkerville, MI 49459

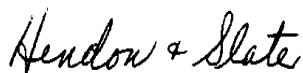
Independent Auditor's Report

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Walkerville Area Fire and Rescue Department as of and for the year ended February 29, 2008, which collectively comprise the Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Walkerville Fire and Rescue Department as of February 29, 2008 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and 15, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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August 8, 2008

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WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Management's Discussion and Analysis For the Year Ended February 29, 2008

Using this Annual Report of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Department as a whole and present a longer-term view of the Department's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Departments's operations in more detail than the government-wide financial statements.

The Department as a Whole

The Department's combined net assets increased primarily due to additions to the Department's fire equipment and decrease in debt outstanding. Cash balances were down due to a decrease in the net revenues over expenditures for the year.

The Department worked on controlling spending during 2007-2008 to better the financial position of the Department. Capital improvements were not all completed as originally planned, which helped reduce expenditures for the year. In condensed format, the table below shows key financial information:

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Current Assets	\$ 233,238	\$ 287,786
Noncurrent Assets	<u>656,115</u>	<u>674,749</u>
Total Assets	889,353	962,535
Long-Term Debt Outstanding	383,000	414,000
Other Liabilities	<u>893</u>	<u>68,333</u>
Total Liabilities	<u>383,893</u>	<u>482,333</u>
Net Assets		
Invested in Capital Assets-Net of Debt	273,115	260,749
Unrestricted	<u>232,345</u>	<u>219,453</u>
Total Net Assets	<u>\$ 505,460</u>	<u>\$ 480,202</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, increased by \$12,892 for the governmental activities. This represents a increase of approximately 5.87%.

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
Program Revenues		
Charges for Services	\$ 215,751	\$ 204,561
General Revenues		
Miscellaneous	<u>10,107</u>	<u>56,804</u>
Total Revenues	\$ 225,858	\$ 261,365

Management's Discussion and Analysis (continued)

Program Expenses		
Public Safety	\$ 105,478	\$ 111,577
Debt Service	18,115	15,801
Capital Outlay	10,760	4,343
Depreciation	66,247	56,440
Total Expenses	200,600	188,161
Change in Net Assets	\$ 25,258	\$ 73,204

Governmental Activities

The total governmental revenues decreased by \$35,507 primarily due to a decrease in grants of \$30,000 and donations of \$11,627.

The total governmental expenditures remained relatively constant, except for a \$9,807 increase in depreciation due to additional assets purchased and completion of a truck during the year.

Business-Type Activities

The Department had no business type activities.

The Departments's Fund

Our analysis of the Departments's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Department as a whole. The Department's only major fund for 2007/2008 was the General Fund.

The General Fund pays for all of the Departments's governmental services. As the Departments objective is public safety through fire protection and rescue, the majority of all expenditures are public safety. The largest expenditures within public safety are payroll and related expenses and repairs and maintenance at 34% and 24% of public safety expenditures.

The local units of government collect the property taxes which are remitted to the Department for fire protection. An additional millage is also collected specifically for apparatus and equipment. This account is tracked separately within the general fund with the use of a separate cash account to ensure appropriate use of these restricted funds.

General Fund Budgetary Highlights

The Department adopts its budget by line item and amends its budget during the year by decreasing one line item and increasing another. The most significant changes were to increase audit and repair and maintenance by approximately \$4,200 each while reducing capital outlay by \$4,500 and other expenditures by lesser amounts.

Capital Asset and Debt Administration

At the end of both 2007 and 2008 fiscal years, the Department had approximately \$1 million invested in capital assets, consisting mostly of vehicles. These vehicles are being depreciated over a 15 year estimated useful life.

Management's Discussion and Analysis (Continued)

During 2008, the Department completed renovating a 1990 Ford Truck and placed it into service. The total cost of the truck with improvements was \$51,698. Also, the Department built an addition to the fire barn along with a heating unit for the addition for a total of \$13,171 of leasehold improvements. These improvements were necessary to house the Fire Safety Trailer.

During the year the Department received a FEMA grant for assistance with the cost of a Fire Safety Trailer. The grant and the related trailer will be reported in 2009 fiscal year end.

The Department has committed to funding a local share of an air compressor system during the 2009 fiscal year end.

Economic Factors and Next Year's Budgets and Rates

The Department's budget for 2008-2009 shows a similar revenue due to contracts it has with its townships. The Department's options for increased revenue are very limited. In the August, 2008 election, the Department's operating millage is up for renewal. If the millage is not renewed, this could effect the operations of the Department.

Expenses in the 2008-2009 budget show an increase in salaries by 34%, but show a decrease in equipment purchases by 22%. The fire trucks that were purchased and equipped over the past several years are now in service. There are no expectations for large purchases during the next year.

Contacting the Department's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Department's office.

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Governmental Fund Balance Sheet/Statement of Net Assets February 29, 2008

	General <u>Fund</u>	<u>Adjustments</u> ^a	Statement of <u>Net Assets</u>
ASSETS			
Cash and Equivalents	\$ 209,808	\$ -	\$ 209,808
Accounts Receivable	17,973	-	17,973
Prepaid Insurance	-	5,457	5,457
Capital Assets, net of accumulated depreciation	-	656,115	656,115
Total Assets	<u>\$ 227,781</u>	<u>661,572</u>	<u>889,353</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 893	\$ -	\$ 893
Long-Term Liabilities:			
Due in One Year	-	32,850	32,850
Due after One Year	-	350,150	350,150
Total Liabilities	<u>893</u>	<u>383,000</u>	<u>383,893</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Unreserved	<u>226,888</u>	<u>(226,888)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 227,781</u>		
Net Assets:			
Invested in Capital Assets			
Net of Related Debt		273,115	273,115
Unrestricted		<u>232,345</u>	<u>232,345</u>
Total Net Assets		<u>\$ 505,460</u>	<u>\$ 505,460</u>

^aNotes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Statement of Governmental Revenue, Expenditures and Changes in Fund Balance/Statement of Activities For the Year Ended February 29, 2008

	General <u>Fund</u>	<u>Adjustments</u> ^a	Statement of <u>Activities</u>
Revenues			
Contributions From Local Units	\$ 197,778	\$ -	\$ 197,778
Charges for Services - Rescue	17,973	-	17,973
Other Revenue	<u>10,107</u>	<u>-</u>	<u>10,107</u>
Total Revenues	225,858	-	225,858
Expenditures			
Public Safety	118,988	(13,510)	105,478
Debt Service	49,115	(31,000)	18,115
Capital Outlay	45,202	(34,442)	10,760
Depreciation	<u>-</u>	<u>66,247</u>	<u>66,247</u>
Total Expenditures	<u>213,305</u>	<u>(12,705)</u>	<u>200,600</u>
Excess Revenues Over (Under) Expenditures	12,553	12,705	25,258
Fund Balance/Net Assets - Beginning of Year	<u>214,335</u>	<u>265,867</u>	<u>480,202</u>
Fund Balance/Net Assets - End of Year	<u>\$ 226,888</u>	<u>\$ 278,572</u>	<u>\$ 505,460</u>

^aNotes to the Financial Statements provide the details for main components of the adjustments.

The Notes to the Financial Statements are an integral part of this statement.

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Notes to the Financial Statements

February 29, 2008

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Walkerville Area Fire and Rescue Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Walkerville Area Fire and Rescue Department.

A. Reporting Entity

The entity is organized as a Fire Department whose purpose is to provide fire protection for the Village of Walkerville and the Townships of Elbridge, Colfax, Beaver, Troy, and Leavitt. The Fire Department is governed by a Board whose membership is comprised of representation from the participating governmental units. Each unit involved contributes an amount based on its State Equalized Valuation.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Notes to the Financial Statements (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenues that are both measurable and available are recorded when earned. All other revenue items are considered to be available only when cash is received by the Department.

The Department reports the following major governmental funds:

The General Fund is the Department's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, however, there is only one fund reported.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables & Payables - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Notes to the Financial Statement (Continued)

Inventories & Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Donated assets totaling \$-0- were received as of February 29, 2008.

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Buildings & Improvements	15 - 50 years
Vehicles	10 - 15 years
Office Equipment	3 - 10 Tears
Fire Equipment	5 - 20 years

Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

NOTE B RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Department carries commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended February 29, 2008 the Department did incur over expenditures in the following accounts:

Notes to the Financial Statement (Continued)

<u>2008</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Public Safety			
Utilities	\$ 6,650	\$ 7,223	\$ (573)
Contingency/Miscellaneous	500	1,113	(613)
Capital Outlay	39,548	45,202	(5,654)

In the body of the financial statements, the Department's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budgets for this budgetary fund were adopted at the line item level.

NOTE D DEPOSITS AND INVESTMENTS

Legal Provisions for Deposits and Investments - The Investment of Surplus Funds of Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, state the Township, by resolution may authorize the Treasurer to invest surplus funds in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of the United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 801-3 and 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:

1. The purchase of securities on a when-issued or delayed delivery basis.
2. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
3. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967 (Es Sess) PA7 MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus Funds investment Pool Act, 1982 PA 367, 129.111 to 129.118.

Notes to the Financial Statement (Continued)

- j. The investment pools organized under the Local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Types of Deposits and Investments - The Fire Department maintains all of its surplus cash in a local bank in the form of time deposits. All of which is in accordance with statutory requirements. The Department holds the following deposits:

	Carrying Amount	Market Value
Checking	\$ 731	\$ 9,950
Savings	169,933	170,633
Apparatus Checking	39,144	39,144
Total Deposits	<u>\$ 209,808</u>	<u>\$ 219,727</u>
FDIC Insured		\$ 149,094
Uninsured		\$ 70,633

The district believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the district evaluates each financial institution with which it deposits district funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE E CHANGES IN LONG-TERM DEBT

	Outstanding Principal <u>2/29/2008</u>	Due Within <u>One Year</u>
<u>Fire Truck Loan #1</u>		
Note payable to USDA in the amount of \$225,000 for the purchase of a fire truck. The note is due in annual principal payments of \$11,000 to \$20,000 and semiannual interest payments @ 4.75% through 2016.	\$ 153,000	\$ 14,000
<u>Fire Truck Loan #2</u>		
Note payable to USDA in the amount of \$265,000 for the purchase of a fire truck. The note is due in annual principal payments of \$17,000 to \$27,125 and semiannual interest payments @ 4.125% through 2017.	230,000	18,850
Total Notes Payable	<u>\$ 383,000</u>	<u>\$ 32,850</u>

Notes to the Financial Statement (Continued)

The annual requirements to amortize long-term debt outstanding as of February 29, 2008, including interest are as follows:

Year Ended	<u>USDA LOANS</u>	
<u>February 28</u>	<u>Principal</u>	<u>Interest</u>
2009	32,850	16,053
2010	34,775	14,565
2011	35,700	12,992
2012	37,625	11,380
2013	39,550	9,682
2014 - 2018	<u>202,500</u>	<u>20,078</u>
Total	<u>\$ 383,000</u>	<u>\$ 84,750</u>

Changes in long-term debt for the year ended February 29, 2008:

	Fire Truck <u>Loan #1</u>	Fire Truck <u>Loan #2</u>	<u>Total</u>
Debt Outstanding - 3/1/07	\$ 166,000	\$ 248,000	\$ 414,000
Debt Added During the Year	-	-	-
Debt Retired During the Year	<u>(13,000)</u>	<u>(18,000)</u>	<u>(31,000)</u>
Debt Outstanding - 2/29/08	<u>\$ 153,000</u>	<u>\$ 230,000</u>	<u>\$ 383,000</u>

Interest expense for the year ended February 29, 2008 \$18,115

NOTE F CAPITAL ASSETS

A summary of changes in general fixed assets for governmental activities is as

	Balance <u>3/1/2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>2/28/2008</u>
Capital Assets:				
Vehicles	\$ 942,240	\$ 34,442	\$ -	\$ 976,682
Fire Equipment	47,543	-	-	47,543
Office Equipment	17,000	-	-	17,000
Leasehold Imp.	<u>-</u>	<u>13,171</u>	<u>-</u>	<u>13,171</u>
Total	1,006,783	47,613	-	1,054,396
Accumulated Depreciation	<u>(332,034)</u>	<u>(66,247)</u>	<u>-</u>	<u>(398,281)</u>
Net Book Value	<u>\$ 674,749</u>	<u>\$ (18,634)</u>	<u>\$ -</u>	<u>\$ 656,115</u>
Depreciation Expense				
Public Safety		<u>\$ 66,247</u>		

Included in the balance for vehicles is \$37,306 in assets that were not completed or depreciated as of 2/28/07. These assets were completed during the 07/08 fiscal year and are now being depreciated.

NOTE G RELATED PARTY TRANSACTIONS

During the year ended February 29, 2008, the Department paid \$317 for snowplow services provided by a member of the board of directors. The Department also paid \$3,930 for services provided by a business that is owned by the department's administrator.

Notes to the Financial Statement (Continued)

NOTE H RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and net change in fund balance of the Department's governmental fund differs from net assets and statement of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 226,888
--	-------------------

Amounts reported in the statement of net assets are different because:

Prepaid insurance reflects amounts that will be paid for in a future period	5,457
---	-------

Capital Assets are not financial resources, and are not reported in the funds	656,115
---	---------

Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(383,000)</u>
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Net Assets of General Fund - Full Accrual Basis	<u>\$ 505,460</u>
--	--------------------------

Net Change in Fund Balances - Modified Accrual Basis	\$ 12,553
---	------------------

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital Outlay	47,613
Depreciation	(66,247)

Prepaid insurance reflect amounts that will be paid in a future period:

Current Year Prepaid Insurance	5,457	
Prior Year Prepaid Insurance	<u>(5,118)</u>	339

Repayments of loan principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	<u>31,000</u>
--	---------------

Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ 25,258</u>
--	-------------------------

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

August 8, 2008

Board of Directors
Walkerville Area Fire & Rescue Department
Walkerville, MI

Dear Board Members:

In planning and performing our audit of the financial statements of Walkerville Area Fire & Rescue Department as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Walkerville Fire & Rescue Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material

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weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Control Over Payroll

For the second year, payroll taxes are due by the 15th of the month following the disbursement of payroll checks. The taxes due on the payroll for the fourth quarter were paid late. This will result in penalties and interest being assessed by the Internal Revenue Service. There were also several notices from the IRS regarding taxes, penalties & interest from prior years. However, it appears that the most recent of the issues for which an IRS notice was received was due to the use of an incorrect federal identification number on the Form 941. We have assisted in addressing some of these letters with the IRS and believe that the issue will be corrected shortly. Using QuickBooks as a tool will help make the payroll process smoother.

Control Over Financial Statement Preparation

Management of Walkerville Area Fire and Rescue Department lacks the training to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

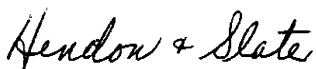
Control Over Computer Access

The Department does not require passwords on computers to be changed on a regular basis. To protect the access to the computer system and all Departmental data, a password expiration policy should be put into place.

This communication is intended solely for the information and use of management, and the board of director's of Walkerville Fire & Rescue Department and others within the department, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the courtesy extended to us during the audit. We look forward to a continued relationship with Walkerville Area Fire & Rescue Department. If you have any questions regarding the audit report, this letter or any other communications, please do not hesitate to call.

Respectfully submitted,



Hendon & Slate, P.C.
Certified Public Accountants
Fremont Office
August 8, 2008

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

August 8, 2008

To the Board Members
Walkerville Area Fire and Rescue Department
Walkerville, Michigan

We have audited the financial statements of the governmental activities of Walkerville Area Fire and Rescue Department for the year ended February 29, 2008, and have issued our report thereon dated August 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 14, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 14, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Walkerville Area Fire and Rescue Department are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial

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statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of depreciation on fixed assets is based on the straight-line method of depreciation over the useful lives of the related asset.

We evaluated the key factors and assumptions used to develop the value of these items in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Related Party Transactions in Note G to the financial statements which identifies that contracted services were provided by board members and businesses owned by board members.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatement

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 8, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's

auditors. In addition to these discussions, we also reviewed the Department's accounting procedures and offer the following comments and recommendations:

Budgeting

One area that the Department needs improvement on is in budgeting. Section 18 of the Uniform Budget Act states that expenditures shall not be made in excess of the amount authorized in the budget. During the year, there were several over-expenditures in the budget as listed in the Notes to the Financial Statement. The board is allowed to amend the budget, but must do so as soon as a deviation is apparent. The amendment on March 8, 2008 falls after the fiscal year end. Expenditures for new equipment were the cause of some of the over-expenditures.

With the conversion to GASB-34, it is more important than ever that the budget is presented as recommended by the Michigan Department of Treasury Uniform Budget Manual. The minimum requirements for a budget as listed in Section 15 of the Uniform Budget Act are as follows:

- Ø Expenditures and revenues for the current year
- Ø Estimated expenditures and revenues for the current year
- Ø Beginning and ending fund balances for the current year
- Ø Actual expenditures and revenues for the next year
- Ø Estimated expenditures and revenues for the next year
- Ø Beginning and ending fund balances for the next year
- Ø An estimate of the amounts needed for deficiency, contingent or emergency purposes

The budget for the current year did not include beginning or ending fund balances, or actual revenues for the current year. In the future, we recommend that the budget include these items.

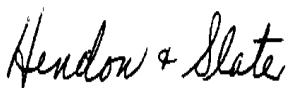
Miscellaneous Items

Other matters that were noted in the correspondence with the Department and should be addressed include:

- Ø Segregation of duties after the resignation of the Treasurer
- Ø Evaluations of employees on at least an annual basis
- Ø A formal code of conduct policy should be put into place
- Ø A disaster recovery plan needs to be discussed and set up

This information is intended solely for the use of the board members and management of the Walkerville Area Fire and Rescue Department and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Hendon & Slate, P.C
Certified Public Accountants
Fremont Office